

## Message Text

CONFIDENTIAL

PAGE 01 TOKYO 01012 01 OF 02 201043Z  
ACTION EA-12

INFO OCT-01 ISO-00 AF-10 ARA-10 EUR-12 NEA-10 IO-13  
SP-02 USIA-06 AID-05 EB-08 NSC-05 TRSE-00 SS-15  
STR-06 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01  
PRS-01 IGA-02 AGRE-00 /141 W  
-----077707 201056Z /21

R 200805Z JAN 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 4509  
INFO AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY MANILA  
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 1012

USEEC  
USMTN  
USOECN  
DEPT PASS ALL OECD CAPITALS  
MANILA PASS USADB  
AIDAC

E.O.11652: GDS  
TAGS: EAID, JA  
SUBJECT: US-JAPAN BILATERAL TALKS ON FOREIGN ASSISTANCE, KAWANA  
JAPAN, JANUARY 12-13 1978

1. SUMMARY: U.S. AND JAPANESE DELEGATIONS MET JAN 13-14  
IN KAWANA TO EXCHANGE VIEWS ON RESPECTIVE FOREIGN ASSISTANCE  
PROGRAMS AND TO IMPROVE COORDINATION BETWEEN THOSE PROGRAMS.  
MEETINGS WERE CANDID AND POSITIVE, WITH BOTH SIDES GAINING  
GREATER APPRECIATION OF OTHERS' ACTIVITIES AND VIEWS. DELE-  
GATIONS AGREED IN PRINCIPLE TO MEET AGAIN NEXT YEAR AT LEVEL  
AND TIME TO BE SET. AGENDA ITEMS FOLLOW, WITH COMMENTS ON  
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PAGE 02 TOKYO 01012 01 OF 02 201043Z

SPECIFICS OF INTEREST. END SUMMARY.

2. ASSISTANCE POLICIES: COMPREHENSIVE INTRODUCTORY  
STATEMENTS BY DIRECTOR GENERAL KIKUCHI AND ADMINIS-  
TRATOR GILLIGAN FOCUSED ON AIMS AND STRATEGIES OF  
RESPECTIVE FOREIGN ASSISTANCE EFFORTS. KIKUCHI NOTED  
JAPAN'S INDUSTRIAL AND INFRASTRUCTURE FOCUS AND

ASIAN EMPHASIS, STATED THAT AID BUDGET INCREASE OF 17 PCT (NOTE: JAPANESE PUBLISHED DATA SHOWS 15.8 PCT) PRESENTS INCREASE FROM 0.28 PCT TO 0.30 PCT OF PROJECTED GNP AND CJ STEP TOWARD JAPANESE AIM OF "MORE THAN DOUBLING" AID OVER NEXT FIVE YEARS. EXPORT PROMOTION AND RAW MATERIALS ACCESS EMPHASIS WOULD DIMINISH SOMEWHAT TO ALLOW MORE EFFORT TOWARD BROADER POLITICAL AND DEVELOPMENTAL CONCERNS.

3. GILLIGAN EMPHASIZED BHN FOCUS OF U.S. BILATERAL PROGRAM, AIMED BOTH TOWARD GROWTH AND TOWARD EQUITY, AS WELL AS PRESIDENTIAL COMMITMENT TO "SUBSTANTIAL INCREASES" BY 1982.

4. BASIC HUMAN NEEDS: JAPANESE EXPRESSED CONCERN THAT BHN STRATEGY WOULD BE SEEN AS LDCE AS AN ATTEMPT TO KEEP THEM FROM INDUSTRIALIZING. THEY EXPRESSED WILLINGNESS TO LEARN REGARDING BHN ISSUE, BUT THEY NOTED JAPANESE PROGRAMS WOULD CONTINUE CURRENT EMPHASIS ON GROWTH. U.S. RESPONDED BHN IS GROWTH STRATEGY WHICH ALSO FOCUSES ON EQUITY.

5. MANAGEMENT OF FOREIGN ASSISTANCE: RESPECTIVE SIDES DISCUSSED THE ALLOCATION OF THEIR ASSISTANCE BETWEEN COUNTRIES AND SECTORS. JAPANESE NOTED

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PAGE 03 TOKYO 01012 01 OF 02 201043Z

EMPHASIS ON INDUSTRY AND INFRASTRUCTURE WITH TENDENCY TO DEAL WITH COUNTRIES ON FIRST-COME-FIRST-SERVE BASIS, DE-EMPHASIZING PRE-DETERMINED COUNTRY LEVELS, WHICH NEVERTHELESS ARE USEFUL IN PREPARING FOR COUNTRY CONSULTATIVE GROUP DONOR MEETINGS. THEY ANTICIPATE PROVIDING A SOMEWHAT BROADER GEOGRAPHIC DISTRIBUTION OF AID, BUT THEY STILL WILL FOCUS HEAVILY ON ASIA. U.S. DISCUSSED IMPORTANCE OF AGRICULTURE AND RURAL PROGRAMS TO BHN, COUNTRY PROGRAMMING SYSTEM, GLOBAL INTERESTS. JAPANESE REPORTED ON CONTINUED MOVEMENT TOWARD UNTYING, INCREASED GRANTS, AND LIMITED LOCAL COST FINANCING.

6. JAPANESE POLICY NOW IS TO UNTIE CO-FINANCED AID AND FOOD AID AS WELL AS CONTRIBUTIONS TO MULTILATERAL AGENCIES. JAPANESE TALKS PARTICIPANTS ADDED THAT FOREIGN MINISTRY IN INTERMINISTERIAL CONSULTATIONS WILL PRESS FOR LOAN UNTYING ON A CASE-BY-CASE BASIS, BUT THEY MADE NO COMMITMENT AS TO HOW MUCH AID GOJ WILL UNTIE IN 1978.

NOTE BY OC/T: NOT PASSED OECD CAPITALS.

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PAGE 01 TOKYO 01012 02 OF 02 201051Z

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 1012

7. JAPANESE REJECTED IDEAS OF IN-COUNTRY AID MISSION AND OF PROVIDING ADDITIONAL PERSONNEL FOR AID IMPLEMENTING AGENCIES, DESPITE PLANS TO INCREASE ODA AND RATE OF EXPENDITURES. RESULTS MAY, THEREFORE BE DISAPPOINTING AND AFFECT FINANCE MINISTRY'S WILLINGNESS TO APPROVE LEVELS ALREADY PLEDGED. (IN ABSENCE SIGNIFICANT INCREASE FIELD PERSONNEL OF GOVERNMENT AID AGENCIES, CONTRACT IMPLEMENTATION WILL REMAIN IN HANDS JAPANESE COMPANIES; THIS STATE OF THINGS IS UNLIKELY TO ENHANCE JAPANESE AID CONTRIBUTION ALONG BHN LINES).

8. AID COORDINATION: BOTH SIDES NOTED THAT IMPROVED COORDINATION, BOTH INTERNAL AND EXTERNAL, WOULD INCREASE EFFICIENCY AND EFFECTIVENESS OF ASSISTANCE. BOTH EXPRESSED COMMITMENT TO VARIOUS MULTILATERAL AND REGIONAL COORDINATING AND CONSULTATIVE BODIES. JAPANESE WOULD "WAIT AND SEE" ON BRANDT COMMISSION BUT WERE INTERESTED IN POTENTIAL OF IMF/IBRD

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PAGE 02 TOKYO 01012 02 OF 02 201051Z

DEVELOPMENT COMMITTEE.

9. BILATERAL ASSISTANCE: DELEGATIONS RECAPITULATED GEOGRAPHICAL DISTRIBUTION OF PROGRAMS, AND THEY DISCUSSED IN PARTICULAR ASIAN ACTIVITIES. (JAPANESE WILL MOVE SLOWLY AND ASSIST AT "MODEST" LEVELS IN OTHER REGIONS). JAPANESE PLEASED TO LEARN OF PLANS OF U.S. TO ENHANCE AID IN ASIA, FOR THEY HAD HAD SOME IMPRESSION THAT WITHDRAWAL WAS PLANNED; THEY DESCRIBED SELVES AS REASSURED ON THAILAND, KOREA, INDIA.

10. JAPANESE WILL NOT, PLEDGE AID TO TARBELA REPAIRS AND WILL NOT ATTEND WORLD-BANK PARIS MEETING ON SUBJECT FEB 2. WHEN ISSUE AROSE, THEY CITED ITS COMPLEXITY AND THE NEARNESS OF MEETING DATE.

11. PRIVATE SUPPORT: JAPANESE NOTED ONGOING ACTIVE INVOLVEMENT OF PRIVATE SECTOR IN ASSISTANCE PROGRAMS, INCREASING INVOLVEMENT OF UNIVERSITIES AND PVOS. RECENT POLL REVEALED 77 PCT OF JAPANESE SUPPORT FOREIGN AID, PRIMARILY AS MEANS OF INCREASING ACCESS TO RAW MATERIALS AND MAINTAINING OPEN TRADING ORDER. U.S. SIDE NOTED PROBLEMS WHICH RISING PROTECTIONISM PRESENTS FOR AID, AND REFERRED TO CURRENT STRAUSS-USHIBA TALKS.

12. U.S. -JAPANESE COLLABORATION: JAPANESE SAW BILATERAL TALKS AS USEFUL "SUPPLEMENT" TO MULTILATERAL COORDINATING BODIES AND WELCOMED EXCHANGE OF VIEWS AND COMMENTS AS MEANS OF IMPROVING COORDINATION, BUT THEY SAW LITTLE LIKELIHOOD OF JOINT PROJECTS IN THE FIELD. JAPANESE EXPRESSED GENERAL DISPOSITION TO FOLLOW U.S. LEAD ON NORTH-SOUTH AND FOREIGN ASSISTANCE ISSUES, BUT NOTED ADVANCE CONFIDENTIAL

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PAGE 03 TOKYO 01012 02 OF 02 201051Z

SULTATION WITH LEAD TIME SUFFICIENT TO CLEAR POSITION WITHIN GOJ WAS NECESSARY FOR ACTIVE SUPPORT. U.S. DEL MEMBES SUGGESTED FURTHER DETAILED US-GOJ CONSULTATION WITHIN NEXT THREE TO SIX MONTHS ON AID TO AEAN, CERTAIN ADB POLICY MATTERS, AND SPECIFIC PLANS FOR AID PROGRAMS IN INDONESIA AND THAILAND.

13. INDICATORS: JAPANESE ACKNOWLEDGED THAT THEY SEE NO EXACT WAY OF RELATING AID TO GROWTH, ALTHOUGH WHEN PRESSED (BY THE DIET, FOR EXAMPLE) THEY SOMETIMES SIMPLY PREPARE AND PRESENT A SERIES OF FIGURES FOR BOTH THESE QUANTITIES. THEY STRESSED NEED TO FIND STANDARDS BY WHICH RECIPIENT COUNTRY PERFORMANCE, NOT MERELY DONOR PROGRAMS, COULD BE PLEDGED. U.S. EXPLAINED WE ARE NOW DEVELOPING CRITERIAL FOR AID ACHIEVEMENT IN

COMPLIANCE FOREIGN ASSISTANCE ACT REQUIREMENTS.

14. CONCLUSION: IN CONCLUDING REMARKS, BOTH SIDES AGREED THAT IT WOULD BE USEFUL TO MEET AGAIN NEXT YEAR AT APPROXIMATELY SAME TIME, WITH SPECIFICS TO BE ARRANGED AT LATER DATE WITH SUCCESSOR TO DIRECTOR GENERAL KIKUCHI. PRESSED BY JAPANESE, U.S. SIDE AGREED TO LOOK INTO POSSIBILITY OF HOLDING REGULAR ANNUAL MEETINGS ON RECIPROCAL BASIS, BUT NO COMMITMENT WAS MADE. KIKUCHI NOTED IN CLOSING THAT JAPAN WOULD BE HOLDING SIMILAR TALKS WITH EC COMMISSION IN MID-MARCH.  
MANSFIELD

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## Message Attributes

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